



Middle East Paper Company
شركة الشرق الأوسط لصناعة وإنتاج الورق

EARNINGS RELEASE

Q1 2026

Middle East Paper Company, MEPCO, posted a Total Revenue figure of SAR 244.3m for Q1 2026, down from SAR 259.1m in the same period last year.

Key Highlights

Total Revenue amounted to SAR 244.3m, down from SAR 259.1m the previous year, a decrease of 6%.

Operating Profit decreased 64%, reaching SAR 4.8m, down from SAR 13.2m in Q1 2025.

Net Income (Attributable to Shareholders of the Issuer) dipped to a loss of SAR 2.0m, a 137% decrease from the SAR 5.3m in Q1 2025.

Total Comprehensive Income (Attributable to Shareholders of the Issuer) amounted to a loss of SAR 2.0m, a decrease of 137% from the SAR 5.3m profit posted in the same period of 2025.

Jeddah, Saudi Arabia | 7 May 2026

The Company delivered a resilient performance in the first quarter of 2026 amid a challenging operating environment characterized by softer market prices in certain product segments and evolving market dynamics. Revenue reached SAR 244.3m, reflecting a 6% decline compared to Q1 2025, primarily due to lower average selling prices, despite a relative improvement in sales volume, which partially mitigated the revenue impact. Gross profit stood at SAR 26.6m, with profitability further affected by an impairment charge and lower finance income, resulting in a net loss of SAR 1.4m for the period. Despite these challenges, the Company continued to demonstrate disciplined cost management, achieving notable reductions in selling and distribution expenses and general and administrative costs. In tandem, it maintained progress on its strategic investment objectives, supporting future capacity expansion and reinforcing its long-term growth outlook.

Musab Sulaiman Al-Muhaidib, Chairman of the Board of Directors of the Middle East Paper Company, commented:

Since MEPCO's establishment over 2 decades ago, the Company has steadily evolved to become a key contributor to the Kingdom's industrial and environmental landscape, building a strong legacy in paper production and recycling. At the heart of our journey lies a firm commitment to the principles of the circular economy; transforming waste into valuable resources and supporting sustainable industrial development, closely aligned with Saudi Arabia's Vision 2030, which emphasizes environmental responsibility, resource efficiency, and economic diversification.

During the period, the Company continued to operate within a dynamic market environment shaped by shifting demand patterns and input cost pressures. While financial performance reflected these challenges, our strategic direction remains firmly focused on long-term, sustainable growth. We continue to invest in expanding our production capabilities and enhancing operational resilience, as evidenced by our ongoing capital projects, which are expected to strengthen our market position and support future capacity, and in turn, profitability.

Looking ahead, we remain confident in the Company's foundations and its ability to deliver value through disciplined execution and cost optimization, sustainability-driven innovation, and alignment with national priorities. Our commitment to environmental stewardship and responsible growth will continue to guide our strategy as we build a more resilient and future-ready organization and continue to generate sustainable value for our esteemed shareholders.

Faisal Haddawi, Chief Executive Officer of the Middle East Paper Company, commented:

The first quarter of 2026 was marked by a challenging operating environment, characterized by pricing pressure across selected segments and the impact of non-recurring items, both of which weighed on overall profitability. While revenue declined and the Company reported a net loss for the period, our underlying response reflected resilience, discipline, and a clear commitment to strengthening operational efficiency.

We achieved meaningful reductions in both Selling & distribution expenses and general & administrative costs, reflecting our ongoing focus on efficiency improvement and cost control. At the same time, we maintained progress on our strategic investment program, aimed at expanding capacity and enhancing product diversification, which will support long-term growth and competitiveness.

Our priority to navigate short-term market challenges while ensuring sustainable value creation for our shareholders remains clear. This includes optimizing our cost base, improving asset utilization, and strengthening our market position across core segments. As we move forward, we are confident that the actions we are taking today, combined with our investments in future capacity, will position the Company to capitalize on emerging opportunities.

Income Statement Summary

by value in (SAR)

	Three-month period ended		YoY Change
	31-Mar		
	2026 (unaudited)	2025 (unaudited)	
Revenue	244,292,290	259,090,078	-6%
Cost of revenue	-217,682,972	-225,143,395	-3%
GROSS PROFIT	26,609,318	33,946,683	-22%
Selling and distribution expenses	-3,346,574	-4,946,156	-32%
General and administrative expenses	-16,083,613	-20,586,423	-22%
(Impairment) / reversal of losses on financial assets	-4,012,010	3,899,773	203%
Other operating income, net	1,603,530	916,800	75%
OPERATING PROFIT	4,770,651	13,230,677	-64%
Finance costs	-8,617,347	-9,855,005	-13%
Finance income	4,772,160	6,258,762	-24%
PROFIT BEFORE ZAKAT	925,464	9,634,434	-90%
Zakat expense	-2,325,875	-4,337,397	-46%
(LOSS) / PROFIT FOR THE PERIOD	-1,400,411	5,297,037	-126%
Attributable to:			
Equity holders of the parent	-1,994,082	5,331,352	-137%
Non-controlling interests	593,671	-34,315	1830%
	-1,400,411	5,297,037	-126%
OTHER COMPREHENSIVE INCOME			
<i>Items not to be reclassified to statement of profit or loss in subsequent periods:</i>			
Actuarial gain on re-measurement of employee benefit obligations	-	-	
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	-1,400,411	5,297,037	-126%
Attributable to:			
Equity holders of the parent	-1,994,082	5,331,352	-137%
Non-controlling interests	593,671	-34,315	1830%
	-1,400,411	5,297,037	-126%
(LOSS) / EARNINGS PER SHARE:			
(Loss) / earnings per share attributable to ordinary equity holders of the Parent (
- Basic and diluted	-0.02	0.06	-133%

Despite MEPCO's continued financial prudence and cost optimization programs, Gross Profit for Q1 2026 amounted to SAR 26.6m, a reduction of 22% compared with the same quarter of the previous year of SAR 33.9m. This was driven by a 6% decrease in revenue, which fell from SAR 259.1m in Q1 2025 to SAR 244.3m in Q1 2026, mainly due to lower average selling prices, despite the relative improvement in sales volume, with relatively flat container board sales, offset by a 3% decrease in Cost of Revenue, which reduced to SAR 217.7m from SAR 225.1m in the same quarter of the previous year.

Operating Profit stood at SAR 4.8m for Q1 2026, compared to SAR 13.2m for the same quarter of the previous year, a reduction of 64%. This reduction was due to an impairment charge of SAR 4.0m, compared to a SAR 3.9m reversal of impairment in Q1 2025. However, demonstrating the Company's continued improvement in cost efficiencies, the reduction in Operating Profit was offset by a 22% reduction in General & Administrative Expenses, which reduced to SAR 16.1m in Q1 2026 from SAR 20.6m in the same quarter of the previous year, a 32% reduction in Selling & Distribution Expenses which reduced to SAR 3.3m in Q1 2026 from SAR 4.9m in Q1 2025, as well as a 75% increase in other operating income to SAR 1.6m from SAR 0.9m in Q1 2025.

Profits before Zakat declined by 90% to SAR 0.9m in Q1 2026, compared with SAR 9.6m in Q1 2025, mainly reflecting lower operating profit and a 24% reduction in finance income, which reached SAR 4.8m compared with SAR 6.3m in Q1 2025. This was partially offset by a 13% reduction in finance costs, which decreased to SAR 8.6m from SAR 9.9m. After Zakat expense of SAR 2.3m, down 46% year-on-year, the Group reported a net loss for the period of SAR 1.4m in Q1 2026, compared with a net profit of SAR 5.3m in Q1 2025, representing a 126% decrease. The loss attributable to equity holders of the Parent amounted to SAR 2.0m, partially offset by SAR 0.6m profit attributable to non-controlling interests. Accordingly, Q1 2026 recorded a basic and diluted loss per share of SAR 0.02, compared with earnings per share of SAR 0.06 in Q1 2025.

Balance Sheet Summary

by value in (SAR)

	31-Mar 2026 (Unaudited)	31-Dec 2025 (Audited)	% Change
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1,548,631,166	1,431,865,458	8%
Intangible assets	15,945,604	17,056,251	-7%
TOTAL NON-CURRENT ASSETS	1,564,576,770	1,448,921,709	8%
CURRENT ASSETS			
Inventories	183,634,203	215,492,407	-15%
Trade receivables	355,354,018	347,694,427	2%
Prepayments and other receivables	15,215,016	11,503,557	32%
Other current assets	176,522,006	149,290,684	18%
Cash and short-term deposits	463,758,512	495,352,589	-6%
TOTAL CURRENT ASSETS	1,194,483,755	1,219,333,664	-2%
TOTAL ASSETS	2,759,060,525	2,668,255,373	3%
EQUITY AND LIABILITIES			
EQUITY			
Share capital	866,666,650	866,666,650	0%
Share premium	419,999,979	419,999,979	0%
Retained earnings	339,508,438	341,502,520	-1%
Equity attributable to equity holders of parent	1,626,175,067	1,628,169,149	0%
Non-controlling interests	-6,836,690	-7,430,361	-8%
TOTAL EQUITY	1,619,338,377	1,620,738,788	0%
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing long-term borrowings	291,261,892	257,106,834	13%
Lease liabilities	21,863,432	20,651,883	6%
Employee defined benefits liabilities	37,333,331	38,139,995	-2%
TOTAL NON-CURRENT LIABILITIES	350,458,655	315,898,712	11%
CURRENT LIABILITIES			
Interest-bearing long-term borrowings – current portion	114,521,009	120,009,417	-5%
Interest-bearing short-term borrowings	383,192,831	337,301,909	14%
Trade and other payables	259,362,727	251,545,855	3%
Other current liabilities	16,321,182	9,220,823	77%
Zakat payable	15,865,744	13,539,869	17%
TOTAL CURRENT LIABILITIES	789,263,493	731,617,873	8%
TOTAL LIABILITIES	1,139,722,148	1,047,516,585	9%
TOTAL EQUITY AND LIABILITIES	2,759,060,525	2,668,255,373	3%

As of 31 March 2026, MEPCO continues to show in its financial position an active phase of strategic investment and growth, as Total Assets increased 3% to reach SAR 2,759.1m, compared to SAR 2,668.3m at the end of 2025. This was driven by an 8% increase in Total Non-Current Assets to SAR 1,564.6m, up from SAR 1,448.9m, despite the 2% reduction in Total Current Assets. The most significant increase was in Property, plant and equipment, which reached SAR 1,548.6m, an 8% increase from SAR 1,431.9m at the end of 2025, complemented by Other current assets increasing 18% to reach SAR 176.5m, up from SAR 149.3m, driven by an increase in Capital project advances to SAR 115.6m in Q1 2026, up from SAR 97.6m at the end of 2025, and advances to suppliers increasing to SAR 27.0m due to the investment in Paper Machine-5 (PM5) and Tissue Machine-6 (TM6) which are expected to be completed before the end of 2027 and before the end of 2026 respectively. This continues to show the Company's investment in expanding future production capacity. In addition, there was a 15% reduction in inventories, with the balance of SAR 183.6m at the end of Q1 2026 from SAR 215.5m at the end of 2025, and a 2% increase in Trade Receivables, which reached SAR 355.4m, up from SAR 347.7m. This was offset by a 6% reduction in Cash and Short-Term Deposits, a 7% reduction in intangible assets and a 32% increase in prepayments and other receivables.

Total Equity for the Group was flat, with a negligible SAR 1.4m reduction from the end of 2025, as it reached SAR 1,619.3m, mainly driven by a 1% reduction in Retained Earnings, which reduced to SAR 339.5m from SAR 341.5m at the end of 2025, as well as an 8% recovery in non-controlling interests. Meanwhile, Total Liabilities increased 9% to reach SAR 1,139.7m at the end of Q1 2026, up from SAR 1,047.5m at the end of 2025. This was driven by an 11% increase in Total Non-Current Liabilities, due to a 13% increase in interest-bearing long-term borrowings, as well as an 8% increase in Current Liabilities, driven by a 14% increase in interest-bearing short-term borrowings, a 77% increase in other current liabilities and 17% increase in Zakat payable.

Debt Analysis

by value in (000SAR)

	March 2026	December 2025	Change %
STL	383,193	337,302	14%
MTL*	405,783	377,116	8%
Total debt	788,976	714,418	10%
Cash Balance	463,759	495,353	-6%
Net debt	325,217	219,065	48%
Equity **	1,619,338	1,620,739	0%
Debt/Equity (x)	0.49	0.44	11%
Net debt/Equity (x)	0.20	0.14	43%

* MTL includes Current Portion of Long-Term Loans and net-off Deferred Finance Charges (DFC)

** Total Equity including Non-Controlling Interest with value of SR (6.8) M.

About MEPCO

MEPCO is the leading, vertically integrated paper manufacturer in the Middle East, offering a diverse range of containerboard and specialty paper products for the packaging, construction, furniture, and paper core industries worldwide, with a growing global footprint spanning over 40 countries, including across the Middle East, South Asia, the Americas, and Europe.

The company's innovative approach, including energy and water-efficient production, enables it to deliver significant environmental and economic benefits. Through its wholly owned subsidiary, WASCO, MEPCO sources raw materials from across the Kingdom and neighboring countries, ensuring a secure supply while providing measurable value to the Saudi economy.

MEPCO is listed on the Saudi Stock Exchange under Tadawul symbol 'MEPCO' (1202).

For more information, visit www.mep.co

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